

A Need to Implement Personal Financial Education As Part  
Of Professional Military Education  
EWS Contemporary Issue Paper  
Submitted by Captain D. Simmons  
to  
Major C Lynn, CG15  
19 February 2008

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>19 FEB 2008</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2008 to 00-00-2008</b>	
4. TITLE AND SUBTITLE <b>A Need to Implement Personal Financial Education As Part Of Professional Military Education</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>United States Marine Corps Command and Staff College, Marine Corps University, 2076 South Street, Marine Corps Combat Development Command, Quantico, VA, 22134-5068</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>15</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

In March 2005, a Defense Manpower Data Center Survey of active duty service members provided the following results on junior enlisted with 3-5 years of service:

- 11% bounced checks
- 19% failed to make minimum credit payments
- 5% fell behind paying mortgage or rent
- 21% were pressured to pay bills
- 12% had telephone, cable, or internet cut off
- 3% had water, electricity, or heat shut off
- 2% had car, appliance, or furniture repossessed
- 6% failed to make a car payment
- 12% got a payday loan (average roll-over of 4.9 times)
- 1% filed bankruptcy<sup>1</sup>

The above statistics are indicative of a growing issue that is plaguing the ranks of junior enlisted Marines.

Emphasis has always been placed on the Corps' most important asset and that is the individual Marine. The Marine Corps is known for "taking care of its own," and developing young Marines. Personal finance of junior enlisted Marines is a growing problem and is not getting the necessary attention required to change the negative effects it is producing. It is becoming imperative that personal finances of junior enlisted Marines be deemed a

vital part of troop well-being and mission accomplishment. The Marine Corps must have policies in place to ensure that junior enlisted Marines (1) receive personal financial education to mitigate service members' financial vulnerability, (2) improve unit readiness, and (3) educate junior enlisted Marines to utilize existing resources.

## **The Problem**

The debt problem in America continues to grow and is not only affecting individuals, but also impacting our overall economy. "America has become more of a debt junkie than ever before with a total debt of \$48 trillion – and the highest debt ratio in history."<sup>2</sup> As young men and women continue to join the Marine Corps, the institution will always be a microcosm of society in many areas and it is forced to deal with similar problems of society.

Unfortunately, the personal finance issue brought into the Marine Corps is magnified, as military personnel are faced with unique circumstances such as: low salaries for junior troops, frequent deployments, frequent moves, easy credit, and hindered spousal employment due to the frequent moves and deployments.<sup>3</sup> Historically, military personnel have been targeted by unethical and immoral sales practices specifically in the insurance and financial industries. In addition to military specific circumstances, increases in credit card approval and access to loans have added to the strains put on an already thinly stretched salary of many military personnel. "The problem has only intensified since the beginning of the Iraq war. With the death toll rising, interest in insurance among the troops has surged."<sup>4</sup> Marines are earning more money from deployments and it is

meriting the attention of individuals looking to help Marines properly manage and invest their money as well as those that are willing to take advantage of the ill-informed.

### **The Victim**

"A young Marine at Camp Pendleton was sold a 20-year insurance policy ... that was more than 14 times what the same death benefit would have cost him under his military-sponsored plan."<sup>5</sup> For years, junior military enlisted and officers began their careers by purchasing supplemental life insurance policies only to realize that SGLI was more than adequate for their situation. As a result, months and years of premium payments from servicemen are nothing more than donations to the insurance and investment companies. "Many experts say the products sold are often ill-suited for the military people who buy them."<sup>6</sup> While there may be a need for some Marines to get supplemental policies, it is important that they know that they are receiving the right product at the right price.

"According to the Navy Marine Corps Relief Society, millions of Americans every year are targeted by lenders who market to the young, under-informed and

underprivileged”<sup>7</sup> Junior troops are a part of this targeted market and are even more vulnerable as lending organizations strategically locate outside of military bases to ensure they are accessible to military members. Consequently, research cited by the Pentagon showed service members are four times more likely to be payday borrowers than civilians and estimates that 17% of service members use payday loans.<sup>8</sup> This disparity in the usage of payday lenders between military and civilians is not coincidental and is the result of targeted marketing.

### **The Effects**

After reading a study done by the Government Accountability Office (GAO) on Servicemembers’ Personal Financial Management Issues, Top level DOD officials repeatedly stated that financial issues directly affect Servicemembers’ mission readiness and should be addressed. Therefore, units who do not receive personal financial management training risk the ability to meet mission requirements.<sup>9</sup> The Marine Corps’ top priority is mission accomplishment, and to be successful Marines have to be trained, ready and willing to maintain readiness, and able to execute orders. Executing orders typically is not a

problem for Marines; however, distractions such as financial problems can have a negative impact on mission accomplishment. The most direct impact is the inability to receive a security clearance if you have too much debt.

In a time in which operational tempo is very high, disqualifications of personnel can have lasting affects, especially when the number of revoked clearances is growing. "Data compiled from the Air Force, Marine Corps and the Navy revealed that from 2002 to 2005 the number of security clearances canceled for financial reasons jumped nine fold."<sup>10</sup> Once Marines' debt payments exceed 30 percent of their salary, their clearance is in jeopardy. The debt trend of junior Marines is getting worse while obtaining credit is getting easier. Predatory lending is prevalent and successful, so much that the Defense Department cites one study that found payday lenders cluster around the gates of military bases in high numbers.<sup>11</sup> This issue is critical to the pentagon, because "predatory lending not only weakens the financial security of the families of our fighting forces, but it threatens our national security."<sup>12</sup>



## **The Resources**

The Marine Corps as well as other DOD services understands the need for military personnel to be financially responsible. A multitude of programs and courses are available to assist Marines and their families with personal finance and the list continues to grow. Marines receive personal finance classes in recruit training, officer candidate school teaches the basics of the Thrift Savings Plan (TSP), and outside organizations are also available for assistance. The Personal and Family readiness Division has trained managers who will assist Marines in solving financial problems while providing education. Organizations such as the Navy Marine Corps Relief Society (NMCRS) offer extensive financial management classes. Although less advertised, Defense credit unions, such as Navy Federal and Marine Federal, offer personal financial services and education, usually at no cost. "Many Defense credit unions both on and off military installations have been providing quality financial services for years, yet some remain a secret in the war against personal financial insolvency.<sup>13</sup> The Marine Corps has mandated in Marine Corps Order P1700.24B that each installation have a Personal Financial Manager (PFM) and

Command Financial Specialist (CFS) to better educate Marines. The resources are in place but unfortunately, most are underutilized and underemployed.

### **The Counterargument**

The growing cost of deployment, increased requirement for personnel to deploy, and the required training does not allow the time or resources necessary for additional personal financial training. To the contrary, taking a more proactive approach to the financial education of junior Marines will decrease the amount of time Marines spend visiting financial counselors when faced with serious financial problems, communicating with lenders, and many times working a second job. Resources and time are already being expended by both the Marine Corps and the individual Marine in order to react to personal financial matters. In fact, a 1998 study revealed that \$560 million to \$840 million was spent for indirect cost, such as lost productivity, due to the personal financial difficulties of service members.<sup>14</sup> Educating junior enlisted Marines in personal finances can have lasting effects on the Marine Corps. As junior enlisted troops become more financially astute, the resources used to combat financial problems will decrease, along with the time spent solving financial

hardships. Personal finance education will save substantial resources in the long-run and these savings will continue to grow as financial education grows throughout the ranks.

### **The Solutions**

Increasing personal financial education for junior enlisted Marines will require nothing more than implementing policy that would require mandatory financial education as part of Marines current professional military education (PME) requirement. Since there is a myriad of services already in place, additional resources required will be minimal. The Marine Corps' first step toward improving personal finances is to establish policy that ensures junior enlisted Marines receive mandatory personal financial education and this can be accomplished by utilizing the many personal financial services currently offered. Financial training must become part of the Marine's overall development. Each command should designate a financial officer to track and monitor the progress of the programs to ensure they are effective and that Marines are attaining a certain standard and proficiency. Implementing a financial training program would require nothing more than mirroring the many

successful programs currently in place such as physical fitness, uniform standards, professional military education, and weapons training.

### **The Conclusion**

The repercussions of junior enlisted Marines' personal financial debt have caused this issue to be far more than personal. Financial problems are influencing decisions concerning overseas assignments based on clearances, forcing Marines to make career decisions based on money, and placing additional stress upon the families of deployed Marines. "Research demonstrates that financial education reduces the frequency of money problems and improves feeling about financial status-two key elements that ultimately may help maintain both military readiness and retention."<sup>15</sup> Reducing the Marines' personal finance problems would be a force multiplier to the institution as Marines and their families would be better equipped to deal with the challenges of personal finances and in turn be better prepared to serve their country. Addressing the issue of personal finance is another example of the Marine Corps "taking care of its own."

## Bibliography

- American Banker, "Letter To The Editor: Predatory Payday Lenders Weaken National Defense" New York NY Aug 18, 2002. URL:<<http://www.nytimes.com>
- Anonymous. "Security Clearances Revoked for Excessive Debt" The New American Nov 13, 2006.  
URL:<<http://proquest.umi.com/pqdweb?did=98634559&Fmt=3&clientld+32176&RQT=309&VName=PQD>
- "Debt Is Keeping Troops From Overseas Duty, Study Finds" San Diego Oct 21 2006. URL:<<http://www.nytimes.com>
- U.S Department of Defense, Data Center Survey for Active Duty Members, 2005
- Henriques, Diana B. "Basic Training Doesn't Guard Against Insurance Pitch to G.I's; Financial Advice at a Price" New York Times. July 20 2004.  
URL:<<http://proquest.umi.com/pqdweb?did=666109391sid=5&Fmt=3&clientld+32176&RQT=309&VName=PQD>
- Hodges, Michael. "America's Total Debt Report" Grandfather Economic Report series Mar 2007.  
URL:<<http://mwhodges.home.att.net>
- John, David C. "Web Memo" No. 1637 Heritage Foundation Sep 24 2007. URL:<<http://www.heritage.org/Research/SocialSecurity/wml637.cfm>
- Leland, John. "A Way Out of Debt by Way of Iraq: Volunteering for Duty to Pay Off the Bills" New York Times. Sep 3 2007. URL:<<http://proquest.umi.com/pqdweb?did=132958156&sid=27&Fmt=3&clientld+32176&RQT=309&VName=PQD>
- Lisinski, Jill. "A matter of debt" Alexandria Fall 2001.  
URL:<<http://proquest.umi.com/pqdweb?did=94320448&sid=5&FMT=4&clientld+32176&RQT=309&VName=PQD>
- U.S. Government Accountability Office, Military Personnel:

DOD Comments on GAO's Report on More DOD Actions  
needed to Address Servicemembers' Personal Financial  
Management Issues, Washington D.C.: GAO-05-638R

Varcoe, Karen P., Neal Emper, and Nancy Lees. "Working with  
military audiences to improve financial well-being"  
Journal of Family and Consumer Sciences Jan 2002.  
URL:<[http://proquest.umi.com/pqdweb?did=98634559&Fmt=4  
&clientld+32176&RQT=309&VName=PQD](http://proquest.umi.com/pqdweb?did=98634559&Fmt=4&clientld+32176&RQT=309&VName=PQD)

Zamagni, William E. Jr. "Financial Readiness for Marines"  
Marine Corps Gazette. Sep 2005.  
URL:<[http://proquest.umi.com/  
pqdweb?did=891844131&sid=10&Fmt=3&clientld+32176&RQT=3  
09&VName=PQD](http://proquest.umi.com/pqdweb?did=891844131&sid=10&Fmt=3&clientld+32176&RQT=309&VName=PQD)

---

<sup>1</sup>U.S Department of Defense,Data Center Survey for Active Duty Members, March 2005

<sup>2</sup>Hodges, Michael. "America's Total Debt Report" Grandfather Economic Report series, Mar 2007.

<sup>3</sup>

<sup>4</sup> Henriques, Diane, "Financial Advice at a Price" New York Times, July 20, 2004, pg. A.1.

<sup>5</sup> Henriques, Diane, "Financial Advice at a Price" New York Times, July 20, 2004, pg. A.1.

<sup>6</sup>. Henriques, Diane, "Financial Advice at a Price" New York Times, July 20, 2004, pg. A.1.

<sup>7</sup> U.S. Government Accountability Office, Military Personnel: DOD Comments on GAO's Report on More DOD Actions needed to Address Servicemembers' Personal Financial Management Issues, (Washington D.C.: GAO-05-638R)

<sup>8</sup> Calhoun, Michael, "Letter To The Editor: Predatory Payday Lender Weaken National Defense" New York Times, August 18, 2006, Vol 171, Iss 159

<sup>9</sup> U.S. Government Accountability Office, Military Personnel: DOD Comments on GAO's Report on More DOD Actions needed to Address Servicemembers' Personal Financial Management Issues, (Washington D.C.: GAO-05-638R)

<sup>10</sup>Anonymous,"Security Clearances Revoked for Excessive Debt" The New American, Nov 13, 2006. Vol. 22, Iss.23 P.8

<sup>11</sup> Calhoun, Michael, "Letter To The Editor: Predatory Payday Lender Weaken National Defense" New York Times, August 18, 2006, Vol 171, Iss 159

<sup>12</sup> Calhoun, Michael, "Letter To The Editor: Predatory Payday Lender Weaken National Defense" New York Times, August 18, 2006, Vol 171, Iss 159

---

<sup>13</sup> Lisinski, Jill. "A matter of debt" The Armed Forces Comptroller Vol. 46 Iss 4 (2001):10.

<sup>14</sup> Lisinski, Jill. "A matter of debt" The Armed Forces Comptroller Vol. 46 Iss 4 (2001):10.

<sup>15</sup> Karen P. Varcoe, Emper Neal and Nancy Lees. "Working with military audiences to improve financial well-being" (Journal of Family and Consumer Sciences 2002), 33.

**WORD COUNT 1668**